



HM Treasury

Report under section 231 of the Banking Act 2009:

1 April 2013 to 30 September 2013

December 2013



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Presented to the House of Commons pursuant
to section 231 of the Banking Act 2009

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Contents

		Page
Chapter 1	Introduction	3
Chapter 2	Report covering the period from 1 April 2013 to 30 September 2013	5
Annex A	Information on government financial assistance schemes	7

1

Introduction

1.1 Section 231 of the Banking Act 2009 (“the Act”) requires the Treasury to prepare reports about arrangements entered into which involve or may require reliance on section 228(1) of the Act. Section 228(1) allows the Treasury to make payments from money provided by Parliament or, pursuant to section 228(5), from the Consolidated Fund:

- a for any purpose in connection with Parts 1 to 3 of the Act
- b in respect of, or in connection with, giving financial assistance to or in respect of a bank or other financial institution (the Secretary of State is also permitted to make such payments with the permission of the Treasury)
- c in respect of financial assistance to the Bank of England

1.2 This document covers the period beginning 1 April 2013 and ending 30 September 2013 and fulfils the requirement under section 231(2)(b) of the Act to report on successive six month periods. In accordance with section 231(4) of the Act, the report does not specify individual arrangements, or identify, or enable the identification of individual beneficiaries.

1.3 This document does not cover expenditure incurred in relation to action taken under the Banking (Special Provisions) Act 2008.

1.4 Details of the support provided to financial institutions and the economy is set out in a number of places:

- HM Treasury’s Annual Report and Accounts 2012-13 (HC 34) and its Main Supply Estimates for 2013-14 (HC 1074)
- Previous reports published in connection with the requirements of the Banking Act 2009 (<https://www.gov.uk/government/collections/banking-act-reports>)
- UK Financial Investments’ website contains details of how it manages the government’s shareholdings in various banks (<http://www.ukfi.co.uk>)

1.5 Links to further information on government financial assistance schemes are provided in Annex A.

2

Report covering the period from 1 April 2013 to 30 September 2013

2.1 This chapter constitutes the report required to be prepared under section 231 of the Act and provides information about arrangements entered into in the period beginning 1 April 2013 and ending 30 September 2013 which involve or may require reliance on section 228(1) of the Act. It excludes any income from financial sector interventions.

Table 2.A: Period from 1 April 2013 to 30 September 2013

Department	Scheme/Other commitments	New commitments £m	New utilisation or issuance £m	Cash expenditure £m
HM Treasury	1. Business Finance Partnership	-	-	166
DCLG	2. NewBuy Guarantee Scheme	-	23	-
DCLG/BIS	3. Regional Growth Fund	68	-	68
BIS	4. Equity investments and capital contribution	800	-	132

2.2 The above table discloses new arrangements and expenditure by scheme where applicable and by type of commitment for other arrangements. 'New commitments' represent the maximum amount that the government has committed under a scheme or arrangement and do not represent the size of any expected future losses or cash payments. Provisions for expected losses, if any, are included in departmental annual reports and accounts and Parliamentary Estimates. 'New utilisation or issuance' represents the net amount of a total facility which was used or the net increase in the amount of guarantees which were issued during the reporting period. 'Cash expenditure' represents cash amounts paid out in respect of schemes or other commitments.

- 1 **Business Finance Partnership:** HM Treasury operates the Business Finance Partnership which began making its first investments in March 2013. Since that date £172 million has been drawn. The scheme aims to promote non-bank lending to mid-sized businesses.
- 2 **NewBuy Guarantee Scheme:** The Department for Communities and Local Government (DCLG) launched the NewBuy Guarantee Scheme in March 2012. The scheme supports people without access to large deposits to realise their aspirations to own new-build homes, getting 95% Loan to Value new build mortgages back on the market and providing a boost to housing supply. £23 million of guarantees were issued between April 2013 and September 2013.
- 3 **Regional Growth Fund:** £68 million has been made available by the Department for Business, Innovation and Skills (BIS) to match a similar amount invested by selected banks for onward lending to Small and Medium-sized Entities.

- 4 The government has committed an additional £800 million to a UK bank set up to mobilise private sector investment in green infrastructure. During the period £132 million was provided as **equity investments and capital contribution**.

2.3 There is nothing to report in the period for the **Asset Purchase Facility (APF)**, **Homeowners Mortgage Support Scheme (HMS)** or **National Loan Guarantee Scheme (NLGS)**. In each of these schemes there were no new commitments, utilisation had either stayed the same or decreased at the period end and none of them had incurred any cash expenditure. The HMS Scheme has been closed to new entrants since 21 April 2011.

2.4 Additional information on all of the above schemes is in Annex A and in the published information referred to therein.

A

Information on government financial assistance schemes

HM Treasury

Asset Purchase Facility

A.1 The Asset Purchase Facility (APF) is designed to enable the Bank of England to help improve the operation of credit markets through the purchase of corporate assets such as corporate bonds and commercial paper. This will improve liquidity, reduce funding costs and increase the availability of credit by stimulating the issuance of further instruments in those markets. The APF has also been used by the Bank of England to implement monetary policy through the purchase of gilts and other assets financed by the issuance of central bank reserves. HM Treasury has indemnified the Bank of England and the fund specially created by the Bank to implement the Facility from any losses arising out of or in connection with the Facility. Further information can be found at <http://www.bankofengland.co.uk/monetarypolicy/Pages/qe/facility.aspx>

National Loan Guarantee Scheme

A.2 The National Loan Guarantee Scheme (NLGS) was launched on 20 March 2012 and helps businesses access cheaper finance by reducing the cost of bank loans under the scheme by 1 percentage point. The NLGS uses government guarantees on unsecured borrowing by banks, enabling them to borrow at a cheaper rate. Participating banks pass on the entire benefit that they receive from the guarantees across the UK through cheaper loans. Further information about the scheme can be found at <https://www.gov.uk/government/news/chancellor-launches-scheme-to-boost-small-business-lending>

Business Finance Partnership

A.3 The Business Finance Partnership aims to diversify the sources of finance available to small and medium-sized firms and reduce their dependence on bank finance. The government has made available £1.2 billion to invest through non-bank financial institutions. These investments are focused on co-investment with the private sector through channels that can lend to small and medium-sized businesses in the UK. More details can be found at <https://www.gov.uk/government/policies/making-it-easier-to-set-up-and-grow-a-business--6/supporting-pages/encouraging-private-sector-investment>

Department for Communities and Local Government

Homeowners Mortgage Support Scheme

A.4 The Homeowners Mortgage Support (HMS) Scheme enabled eligible borrowers who suffered a temporary loss of income to defer a percentage of their mortgage interest payments for up to two years to help them get back on track with their finances. If repossession cannot be avoided, lenders can claim on the HMS guarantee for up to 80 per cent of the deferred interest. The scheme closed on 21 April 2011 although the government guarantee will run until 2017. Further information can be found at <http://bit.ly/mortgagesupportscheme>

NewBuy Guarantee Scheme

A.5 The NewBuy Guarantee Scheme assists buyers who have a deposit of at least 5% to buy a new build home. The scheme will allow more borrowers to obtain up to 95% Loan to Value mortgages on new build properties from participating builders in England. Further information can be found at <https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/newbuy-guarantee-scheme> and <https://www.gov.uk/affordable-home-ownership-schemes/newbuy>

Department for Communities and Local Government/Department for Business, Innovation and Skills

Regional Growth Fund

A.6 The Regional Growth Fund (RGF) is a £3.2 billion fund operating across England from 2011 to 2017. It supports projects and programmes with significant potential for economic growth that can create additional, sustainable private sector employment. It aims particularly to help those areas and communities which were dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. The majority of funds disbursed under the RGF scheme have been provided under the vires of the Industrial Development Act but, where intermediaries are banks, the Banking Act is used. Further information can be found at: <https://www.gov.uk/understanding-the-regional-growth-fund>

HM Treasury contacts

This document can be downloaded from
www.gov.uk

If you require this information in another
language, format or have general enquiries
about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

E-mail: public.enquiries@hm-treasury.gov.uk

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